

# **Paying for Parks:**

## **An Overview of Fiscal Resources for Local Park and Recreation Agencies**

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## Executive Summary

*Paying for Parks* provides a review of selected fiscal resource tools available to California's local park and recreation agencies and other local agencies that provide parks and recreation. These public agencies are challenged to find ways to meet program needs in light of increasing costs and greater demand for services. Of additional concern is the environment of constrained budgets that currently confronts local governments in the state. Local park and recreation professionals identified the need for this report in discussions with the Planning Division of the California Department of Parks and Recreation (DPR).

This report identifies a variety of sources appropriate for cities, counties and special districts. These sources can help cover the costs of capital improvements and recreation program expansions. This report does not provide a strategy for budget relief from the state, nor is it a blueprint for higher taxes to continue present spending levels. Instead, the report encourages local park and recreation agencies to evaluate their budget requirements against the demand for services and to seek such additional revenues or other fiscal resources as may be supported by the communities and publics they serve. The report suggests agencies first ensure their own budgets provide for levels of spending closely matched to customer service requirements. Given a reputation for high-quality public service delivery, local park and recreation agencies can then approach their local budget processes with a reasonable expectation that requests for program expansions or facility improvements will be endorsed.

The intended users of *Paying for Parks* include novice and seasoned park and recreation professionals, elected and appointed officials, other staff and volunteers, or anyone interested in how to pay for recreation facilities and services.

The report presents six categories of potential sources for supplemental fiscal support:

- **Marketing and Customer Service**

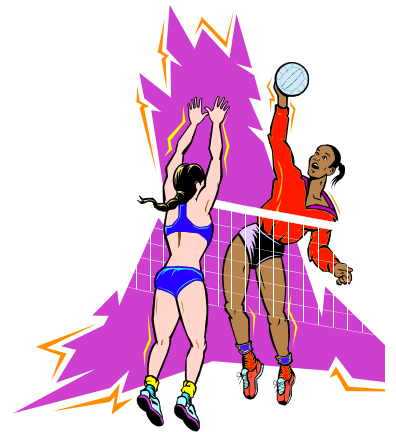
There may be untapped market opportunities for better service to local communities. By strategically targeting relationships with customers, park and recreation agencies can proactively develop new or expanded customer bases and adjust services as necessary.

- **Impact Fees on New Developments**

There are several means whereby approval of new developments can provide revenues for additional facilities to be established or for existing facilities to be improved. These opportunities are available if certain procedures are followed carefully. For these purposes, state law provides for tools such as a Mello-Roos District or dedications or in-lieu fees under the Quimby Act of 1975.

- **Assessments on Existing Property**

With community support, revenues can be derived from benefit-based assessments on existing property. Specific procedures for assessments have been imposed by the passage of Proposition 218 in November of 1996, which requires elections for special benefit assessments. Several jurisdictions have gained new park and recreation revenues from property assessments in the wake of Proposition 218, even though the courts are still shaping the implementation of the initiative.



- **Grants**

Grants are available to park and recreation agencies from both public and private sources. Grant opportunities exist for a wide variety of purposes including parks and recreation. A local agency should look for the alignment between its request and the objectives of the grant program. The request for funds should provide a solid basis for a positive response from the funder. There are numerous sources of information and assistance available to grant-seekers.

- **Volunteers and Donations**

Another source of fiscal support is one derived from the generosity of individuals and groups in the community. Park and recreation agencies can seek out volunteer labor and solicit donations from the community to support recreation programs and improve facilities. Many local agencies have established non-profit “friends of parks” programs for this purpose. There are policy initiatives promoting volunteerism at both the federal and state level. These can help local park and recreation agencies get connected with volunteers in their community.

- **Collaboration and Public-private Partnerships**

In collaboration with like-minded organizations, a local park and recreation agency can gain access to new fiscal resources it needs to attain its goals and provide the services and facilities that are most important to the community. Cooperative opportunities may exist with other public agencies, non-profit community-based organizations, and for-profit firms. Just one example is the emerging opportunity for before-and-after-school programs, for which substantial expansion is expected due to the recent passage of Proposition 49. As in all relationships, park and recreation agencies should look for true partnerships that bring lasting value, rather than one-time convenience arrangements.

In conclusion there are many possibilities for local park and recreation agencies to enhance their budgets with new fiscal support. Local agencies that can demonstrate wise use of existing public funds have opportunities to locate new resources for their budgets and programs, whether within their immediate spans of control or not. This document points the way. It includes a substantial number of references and case examples. The extensively detailed documentation is given not to overwhelm, but to serve as a doorway to the valuable information that exists for the various subjects addressed.

Rather than studying every resource, the reader is encouraged to peruse the references as the need arises. The reader will thus be able to get details about potentially interesting alternative fiscal resources. When possible, web addresses have been included in the end note references for this purpose. To expedite the search for information, each subject area’s discussion concludes with a capsule summary of some of the most useful sources.

## Introduction

Local park and recreation agencies throughout California are constantly challenged to provide high quality services to the customers they serve. They must deliver their services within the constraints of public finance. That is, the agencies must find a balance between meeting customer demand and exercising prudent management over the revenues they receive from taxes and other sources. Local park and recreation agencies do not like to close parks or cut popular services. Instead, the agencies prefer to increase revenues or find other fiscal support to deal with issues like inflation, population growth, and wear-and-tear on facilities. But, in times of fiscal austerity, it is difficult for local park and recreation programs to gain permission from elected officials for program expansions or increased levels of funds.

The *California Outdoor Recreation Plan 2002*, prepared by the California Department of Parks and Recreation, has identified financing of parks and recreation as an important issue. The document notes that the sufficiency and consistency of park and recreation funding have been unsteady whether the general economy is doing well or poorly. According to the Plan, among the factors underlying the problem are:

- unpredictable fluctuations in the economy
- rising operation and maintenance costs
- increasing land values
- aging infrastructure
- increased regulatory requirements
- increased cost of doing business
- shifts in societal demands.<sup>1</sup>

This instability of funding is complicated by a general trend of reduced local spending for parks and recreation. According to the League of California Cities, from the late 1970s to the late 1990s the comparable spending levels for police and fire services grew from a 37% share of average per resident monthly costs to a 70% share. By the year 2000, those police and fire expenditures were about four times greater than the comparable expenditures for parks. Average local spending per resident for parks and recreation had declined by 21% from 1991 to 2000—to around \$6 per month. Clearly, “basic” public services, like police and fire, have been seen as a higher priority than parks and recreation services.<sup>2</sup>

### **Park and recreation vs. other public services.....top-of-the-mind status?**

“When considering park and recreation program cutbacks vs. reductions to other important public services such as fire or police departments, the choice seems easy and apparent to many governmental officials. The public typically accepts such decisions despite the favorable quality of life implications consistently attributed to parks and outdoor recreation opportunities from opinion surveys. There is often less political risk associated with cutting park and recreation programs in times of fiscal restraint than with other public services....Park and recreation providers tend to avoid involvement in political processes.”

California Outdoor Recreation Plan 2002 <sup>3</sup>

How, then, can local park and recreation agencies find resources necessary to pay for program growth to meet customer demand (or to continue programs facing budget cuts) while also providing for capital improvements needed for maintenance, rehabilitation or expansion of facilities? Local park and recreation professionals contacted the California Department of Parks and Recreation (DPR) in the Spring of 2002 with requests for information on creative approaches to finding financial or other resources for local park and recreation programs. This report was written in response to their requests. It presents an overview of fiscal resource tools available to local park and recreation agencies, with special concern for the constrained budgets that currently confront local governments in California.



The document provides the novice park and recreation professional with insights on how to pay for services. It also offers perspectives and references that seasoned park and recreation professionals can apply for problem solving. It can be a training tool for new elected officials, commissioners, committee members, staff and volunteers. The document may be of some worth, too, as a foundation for budget discussions with governing boards, other policy makers and the staffs of local planning and budget offices. Finally, it serves as a basic reference tool for anyone interested in the fiscal requirements of local park and recreation services. This wide range of audiences requires a presentation that of necessity mixes broad concepts with highly detailed information.

Assumptions that guide this discussion about local park and recreation funding include:

1. The public demands an acceptable level of service delivery. Customers want good value from their local parks and recreation programs in return for their taxes and fees. They expect parks to be safe, restrooms to be clean, programs to be interesting, supervised, convenient and fun, and service delivery to be efficient. They are not enthusiastic about lowering their expectations.
2. Additional fiscal resources are needed. California's demographic and economic conditions are dynamic and service delivery requirements are generally increasing. California is robustly gaining population, with relatively rapid rates of growth and relatively large population segments. Much of the population growth is expected to come from economically-challenged segments, as well as from diverse cultural, racial and ethnic groups. In general, the recreation needs of these population groups vary. These groups' needs are often different from the needs of those who have historically derived services from the current array of park facilities and the existing mix of recreation opportunities. Further, the general demand for parks and recreation reflects shifting interests and preferences by the various population segments, requiring constant adjustments on the part of service providers. The costs of providing facilities and services for recreation are also on the increase, such that local park and recreation agencies are continually challenged to balance cost increases against a base of revenues that may not necessarily be keeping pace with growing cost patterns.<sup>4</sup>

3. Local park and recreation agency budgets are already trimmed to minimum levels consistent with various mandates and policy constraints. Local park and recreation agency budgets are models of appropriate stewardship of public money. Expenditures are based on a plan keyed to customer expectations. Over the years local park and recreation agency budgets have had to respond to funding restrictions imposed by public policy. In the current environment of fiscal restraint, further cuts to agency budgets now have to be linked to reductions in service. A decline in services would conflict with the preceding two assumptions.
4. Local revenue sources are what they are. Over time, the voters of California have imposed an array of constraints on where local governments can look to find revenues, on the way those revenues are to be obtained, and on how those revenues can be spent. According to the California Dept. of Finance, a structural imbalance now confronts state/local finance relationships. The structural problems cannot be changed until a long, difficult and fundamentally different solution is worked out.<sup>5</sup> This report does not evaluate proposals to reconfigure the current funding arrangements. Instead, the content is focused on things that are within the control of local agencies. It looks at what can be done without waiting for someone else to restructure the interrelated nature of state and local government finances.
5. Park and recreation administrators are able to rise to the occasion. The professionalism that drives the management of local park and recreation programs is a strong asset for confronting the challenge of finding and keeping adequate fiscal resources. Elected officials will endorse well-conceived strategies for development of viable, perhaps expanded, budgets brought forward by their park and recreation administrators. Public support for the decisions of the elected officials is derived from an understanding of the park agency's stewardship of resources.
6. Considerable expertise exists on a wide variety of local government finance subjects. Rather than reinvent the wheel, this document relies on the experience and advice of others engaged in providing information on local government finance. Local park and recreation administrators are encouraged to become familiar with the knowledge base already available to them concerning local fiscal resources. For this purpose, the end notes to this report (appendix A) contain references to works cited and, when available, internet addresses for further information. The reader will also find text boxes in the report which indicate how the suggested approaches have been used or which point toward key information resources.
7. Solutions will be complex, diverse and locally selected. The report tries to present its concepts in simple terms. Yet the concepts are multi-faceted and real life is anything but simple. Selection of one or more of these fiscal resources will involve understanding the nuances of the fiscal resource opportunities and convincing others of the merits of the idea. Further, the fiscal resources presented herein are not prescriptive because one size does not fit all. If a fiscal resource idea appears attractive, additional work will be needed to see if a solution can be devised to fit local circumstances. Together, these considerations mean that a quest for fiscal resources can take a lot of time and effort.





## Local Park and Recreation Agencies—Different Levels of Authority

Different kinds of local government agencies provide park and recreation services in California. Over 800 local governments provide these services, including cities, counties, and special districts of various types. Though not directly in the park and recreation business, school districts are *de facto* park and recreation service providers because public access is generally provided to school grounds during non-school hours under the Civic Center Act.<sup>6</sup> A survey of California School District Superintendents, conducted in 2002 by the Department of Parks and Recreation, revealed that over 90% of California School Districts allow some kind of access to schools for recreation.<sup>7</sup>

State laws that govern the abilities of these local governments, including authority for the generation of revenues, vary depending on the type of local agency. However slight the differences in the rules for each type of local government may be, these differences are important in that they determine whether the local agencies may or may not be able to derive funds from property taxes, sales taxes, land use regulations, user fees, grants, and so forth. For example, cities and counties derive funds from sales taxes, whereas special districts do not. Local governments and the revenue tools available to them are discussed in greater detail in appendix B. Regardless of the specific power of each local park and recreation agency to obtain revenue, there may well be some potential for the agency to obtain additional funds.





## **Securing New Resources to Pay For Facilities and Operations**

The balance of this report is based on the premise that the local park and recreation agency has an adequate fiscal foundation and a clear plan for new fiscal support (see appendix C). Because of those factors, the public is poised to agree that it is appropriate to obtain additional resources for the agency's budget. There may be popular backing to acquire necessary funds or equivalent resources, despite an austere economic climate. Some tools include:



- 1. Marketing and Customer Service**
- 2. Impact Fees in Developing Areas**
- 3. Assessments on Existing Property**
- 4. Grants**
- 5. Donations and Volunteerism**
- 6. Collaboration / Public-private Partnerships**



## 1. Marketing and Customer Service

Park and recreation agencies can learn a lot from commercial marketers. Marketing is about planning and delivering products and services consistent with customer needs, thereby generating customer satisfaction. Skilled marketing professionals offer products to customers such that the customers want to consume the product. Marketers build brand identity, set sales targets, advertise benefits of a product, and explore pricing incentives. Such are not the everyday concerns of park and recreation professionals. Marketing might seem like a time-consuming diversion, even a difficult task for them. Yet superior products and customer service can drive up sales and turn taxpayers into raving fans.<sup>8</sup> Conversely, lackluster products and poor customer service can alienate customers and create apathy or even opposition.

Park agency budgets win support if people are persuaded as to the importance, worth and fun of parks and recreation in their community. This is where marketing fits in. By knowing how to connect with demand, administrators can convince people of the value of products and services. The goal is to win customers and retain their loyalty. With marketing, potential customer segments can be identified. The park and recreation agency can learn how to tailor its offerings to provide better services to the customers. The word can get out on how great the local park facilities and programs are. So, marketing-savvy park and recreation agencies can, by strategically targeting relationships with their customers, proactively develop new or expanded customer bases. In turn, this translates to broader support for fiscal resources.

The California Park and Recreation Society (CPRS) endorses a market-driven approach. CPRS has encouraged recreation and park agencies to identify untapped market opportunities among un-served and/or under-served populations in the community.<sup>9</sup> The steps are:

- Understand the market climate: its strengths, weaknesses, threats and opportunities.
- Determine a marketing strategy, emphasizing the “P’s”: product (packaging), marketplace, price and promotion.
- Create a plan to tap the market opportunities, including stipulation of the means to measure results.
- Implement the plan.
- Track the implementation against the plan, making adjustments as necessary.

Perhaps the market opportunity exists for a segment of customers previously un-served or served in a general, rather than a targeted way. For example, potential park and recreation market opportunities include aging baby boomers<sup>10</sup> and the population segment born between 1980 and 1996.<sup>11</sup> A success story in this regard can be found in the City of San Carlos. The City’s “It’s Your Turn to Play” market development program anticipates, “Revenue will exceed costs for the fee-based programs established from this new effort.”<sup>12</sup>



The market opportunity could also involve improving services for existing customers so as to increase the number of customers in the base or the amount of use by repeat customers. Doing so could be as simple as improving communication with current user groups to better inform the local community about traditional offerings. Or it may require greater analysis of options involving expansion of service hours or level of services provided. An important aspect is the determination of appropriate user fees. Too high a fee could limit participation, whereas setting fees too low could mean passing up opportunities to defray costs (see appendix C).

Not all market opportunities involve specific programs to be run by the park and recreation agency, or are even about recreation. Some other ways an agency could generate revenue from its facilities, if not in conflict with the typical activity pattern of the recreation program, are:

- Lease the swimming pool in the off-season to a kayak skills company or a masters swim club.
- Charge a nearby business for training and team-building sessions in a community center meeting room and park
- Allow a telecommunications company to pay to put a switch vault under the parking lot or a cell phone antenna on lighting poles at the ball field.
- Operate at least part of the park's landscaping so the facilities can be rented for weddings or other ceremonies.
- Permit vendors to hold farmers' markets, annual ski swaps, arts and crafts shows or antiques fairs in underutilized sections of the park or in a parking lot.

With a market-driven approach, a local park and recreation program can look into these kinds of non-park purposes, or it can determine whether or how to serve new or expanded recreation user groups in the community. In any case, a savvy marketing strategy is a key to turning under-utilized resources into revenue centers that support the recreation programs. The CPRS "Vision Insight Planning (VIP) Plan, Creating Community in the 21<sup>st</sup> Century," contains more information on how park and recreation agencies can expand their markets.<sup>13</sup>

**For more information:** See end notes 8-13. Also, the American Marketing Association has posted best practices and tutorials on its web site (<http://www.marketingpower.com/>).

## 2. Impact Fees from New Development

According to the California Economic Strategy Panel, over the next 20 years, the state's infrastructure will have to accommodate about 12 million more people, 6 million more workers and 4 million new homes. The Panel suggests that new funding sources will be needed to handle this enormous challenge efficiently and cost-effectively.<sup>14</sup> At the local level, the land development process is oriented to finding a middle ground that can accommodate the necessary growth requirements without causing deterioration of existing communities and the environment. The process provides local governments with opportunities to guide development and to negotiate with developers to obtain improvements in local quality of life as an outcome of regulatory approval of development proposals. Impact fees, collected as part of this process, can be of value to park and recreation agencies affected by current or potential land development proposals.

The DPR publication, "A Park and Recreation Professionals' Glossary" defines an impact fee as:

*"A one-time fee levied against new development to cover the development's proportionate share of the cost of providing the infrastructure (including parks and recreation) needed to fill the demand created by residents of the development. Also referred to as development exactions or development impact fees."*<sup>15</sup>

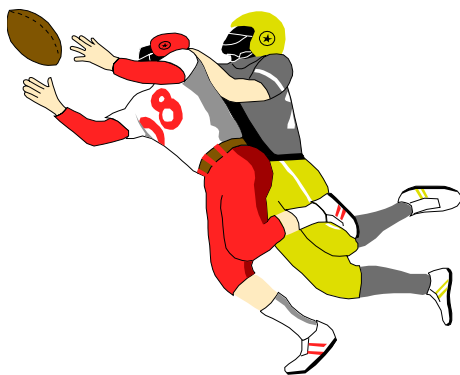
The essential concept for impact fees, then, is to determine the connection, or "nexus," between the demand initiated by the proposed development and the exactions and dedications that local officials impose as conditions for approval of the proposal.

**Local Police Powers**—Under the California Constitution, local governments have broad authority to exercise "police power" to regulate public health, safety and welfare.<sup>16</sup> Within this authority, development of private land is regulated by cities and counties. They have considerable flexibility to impose terms and conditions on development proposals.<sup>17</sup> Land development proposals generally involve the division of land parcels into smaller units of land. The Subdivision Map Act<sup>18</sup> gives cities and counties authority to control the design and improvement of subdivisions of land within their boundaries. Through the Act, cities and counties may impose requirements, or exactions, on developers as conditions of land use approval. These can be used to mitigate or offset the costs of public services that will be required as a result of the development proposal. They can be in forms like fee payment, dedication of land, or construction of a public facility. In essence, exactions shift the recovery of service costs forward to new residents of an area, since builders pass along their exaction costs to the buyers of the new developments. Sometimes the approving agency imposes exactions on the developer as an exercise of police power, while other exactions result from mutual agreements between the local government and the developer.

**Development Agreements**—Cities and counties have authority to negotiate development agreements with those who wish to obtain approval for their land development projects.<sup>19</sup> The development agreement is an enforceable instrument that enables orderly community development. Among other things, it guarantees the developer will be able to build the houses necessary to pay off the public and private construction costs. It provides the approving agency with a means to improve local

infrastructure, including parks and recreation components. A financing plan accompanies a development agreement. The plan holds details on infrastructure requirements and method(s) for paying for the improvements. This kind of “bargained for” exaction can be useful for all concerned. It is in the best interests of the developer to maintain a reputation for quality homes in great neighborhoods and to gain expeditious approval from the city/county. It is also in the best interests of cities/counties to find ways to add housing and amenities to their communities without straining local public coffers. The Institute for Local Self-Government’s web site<sup>20</sup> is a helpful resource for more information on development agreements.

**Regulatory Conditions**—Cities and counties can also impose regulatory conditions on development proposals. Authority to do so can be through specific conditions imposed by local ordinance per the Subdivision Map Act, implementation of the California Environmental Quality Act<sup>21</sup> (CEQA), and other conditions that follow from general plan implementation. Case law limits such exercise of the police power to that which is reasonably related to the public welfare.<sup>22</sup>



A community’s duly adopted general plan is the blueprint for its growth and development that sets forth the community’s intentions in this regard.<sup>23</sup> As such, the general plan is crucial to the sustainability of requirements placed on development projects, a concept that extends beyond the plan itself to the approval processes for development proposals. Under state law, the land development approval processes must also demonstrate consistency with the general plan. The consistency requirement includes zoning<sup>24</sup> and subdivision<sup>25</sup> decisions.

**Case Law**—The general plan, specific plans, related local ordinances and CEQA findings are also important for establishment of the nexus between the public purpose of the regulatory approval and the impact fees imposed on the developer. The U.S. Supreme Court established a dual-aspect standard that guides determinations of the reasonableness of the land use approval requirements. In the 1980 landmark case, *Agins v. City of Tiburon*,<sup>26</sup> the Court said the rules imposed on developers must advance a legitimate state interest while still providing the land owner with an economically viable use of the property. Some other key court cases that guide local development approval processes include:

- 1987—*Nollan v. California Coastal Commission*<sup>27</sup> which declared the importance of a connection (nexus) between a condition of land dedication and the burden it placed on the developer,
- 1994—*Dolan v. City of Tigard*<sup>28</sup> which requires a demonstration of the reasonable relationship between the conditions imposed on a development and the impacts caused by the development,
- 1996—*Erllich v. City of Culver City*<sup>29</sup> which held that a recreational mitigation fee, which had been imposed on an individual and discretionary basis, was subject to the *Nollan/Dolan* standard, but that an in-lieu fee for art in public places was imposed by legislative act applicable to a general class and was thus within the scope of local police power.



While the general plan is an essential precursor to an exaction, cities and counties must do more than just publish policies and intentions in their plans if the exaction will be upheld.<sup>30</sup> Unless they want the courts to undo their exactions, cities and counties need to establish the nexus for an impact fee and set an appropriate level of fees related to types of development and their impacts.<sup>31</sup> Further, state law mandates that fees or exactions imposed on development proposals may not exceed the reasonable cost of providing the service for which the imposition is made.<sup>32</sup>

**Financing Mechanisms**—If the nexus is clear, California statutes and case law enable a broad spectrum of purposes for which impact fees can be used by park and recreation agencies. State law also provides a variety of specific financing mechanisms that empower cities and counties to work with developers and enable community growth. Among the tools available in this regard are:

- Mello-Roos Community Facilities Act of 1982<sup>33</sup>
- Quimby Act of 1975<sup>34</sup>
- Mitigation Fee Act of 1987<sup>35</sup>

Mello-Roos Community Facilities Act of 1982—The Act allows creation of a Mello-Roos Community Facilities District. Such a district establishes special property taxes beyond the *ad valorem* Proposition 13 property assessment level. These obligations are placed on homes and other structures built by developers. The concept is to enrich the new neighborhood with public facilities and services that strengthen the desirability of the neighborhood and, ultimately, improve the value of the property.

The Mello-Roos Act allows infrastructure to be built with tax-exempt financing. The authorizing local government sells the tax-exempt infrastructure bonds. The bonds are used to underwrite the costs of the improvements. After sale of the properties by the developer, the new owners take on the obligation for the special taxes within the district. This can lead to lower development fees. Many developers and local governments have seen merit in this approach. As of December 2000, 575 Mello-Roos bonds had been issued, primarily in Southern California.<sup>36</sup>

A Mello-Roos District is usually formed through procedures whereby property owners vote on whether to form the district and establish the taxes. It is common that the eligible voters are land developers who own 51% or more of the affected parcels. Since the number of votes to be cast depends on the amount of property owned, the election outcome is predictably in alignment with the development strategy.

Sometimes developers agree in advance to have the city or county itself establish a Mello-Roos District as part of the land use approval process. In that case, the Mello-Roos District is included as part of the package of approvals that includes a development agreement and a financing plan. Alternatively, it is possible that the district could be formed after sale of subdivided property to new owners. With new owners, generally larger in number and greater in diversity of opinion than the handful of developers, it can be more difficult to obtain the required 2/3 approval vote.

In January 2002, CPRS and DPR surveyed California park and recreation agencies about their funding sources.<sup>37</sup> The survey revealed moderate use of Mello-Roos funding.

Some of the responding agencies indicated they were not receiving all the benefits available. In contrast to communities with developable land, built-out communities have limited prospects from Mello-Roos funding. But the survey showed limited enthusiasm for Mello-Roos funding, even in the areas with high growth potential.

There were certain misunderstandings about Mello-Roos financing in those areas. Among these was the belief that Mello-Roos financing would not pay for new parks and recreation facilities or the services to operate them. Yet specific authority is given in law for those purposes.<sup>38</sup> Another concern was that the perception that the required 2/3 voter majority could not be attained. This perception was evident even when large land developers controlled creation of the district.

Survey respondents were generally uncertain that a Mello-Roos District could be involved with a “bargained-for” exaction. This approach can result in wide-ranging agreements with property owners, such as a program of open space acquisition. One creative example of this is the City of Fairfield’s revenue stream derived via settlements of lawsuits over annexation. Two of the City’s Community Facilities Districts were set up under those agreements, whereby Mello-Roos tax proceeds are paid under contract to the Solano County Farmlands and Open Space Foundation (now the Solano Land Trust) for open space acquisition in the area.<sup>39</sup>

Quimby Act of 1975—The Quimby Act is another tool to fund park and recreation projects. The Act authorizes a city or county to adopt a local ordinance that can require dedications of land or to collect in-lieu fees for development of new, or rehabilitation of existing, park facilities as conditions of subdivision map approval. Cities or counties in California have not fully utilized this opportunity. From a 1996 survey, the Governor’s Office of Planning and Research identified just 318 jurisdictions that had Quimby Act requirements in their subdivision ordinances.<sup>40</sup> A park and recreation program can be at a disadvantage if the Quimby Act is not invoked. A recent Southern California example was a local park agency’s apparent loss of \$80,000 because payment conditions were not placed on a subdivision developer during the land use approval process.<sup>41</sup>

Still, the courts have upheld the Quimby Act.<sup>42</sup> Use of a dedication or in-lieu fee under the Act has been upheld based on a clear linkage to the jurisdiction’s general plan.<sup>43</sup> A city or county applying the Act could require developers to set aside land for parks and recreation trails, donate conservation easements, or pay fees for park improvements. The amount of fees paid or land dedicated can, at most, provide for 5 acres of parklands and recreational facilities per 1,000 persons living in the subdivision. The Act cannot be used to underwrite ongoing operation and maintenance of park facilities.<sup>44</sup> Information about the Quimby Act can easily be found online. It was also the subject of an article in the Summer 2002 edition of *California Parks and Recreation*.<sup>45</sup>

Mitigation Fee Act of 1987—The *Nollan* decision was codified 1987 by the enactment of AB1600, the Mitigation Fee Act. The Act permits use of the approval process for new developments to generate impact fees for park and recreation purposes. The fees are to be based on a clear nexus between the fees and the use of the fees.<sup>46</sup> City or county park and recreation departments can obtain impact fee revenue by working with their counterparts in their city or county planning departments to get the City Council or the Board of Supervisors to enact the appropriate ordinances.

Special districts lack direct land use authority. For this reason they must seek out their city or county governments and request a share of the revenue stream generated by approval of new developments. It can be helpful for a district to have an arrangement in place with a city or county to be the designated provider of

recreation and park services in an area to be served by the new development. The concept of a shared partnership is clear in this case, enhancing the likelihood of success for a dialog about generating impact fees for the district once a specific development proposal is made.

<b><u>Park Fees Vary Widely per Local Need</u></b>			
<b>Residential Development Fees for Park Infrastructure (Sample of Cities in 1999)</b>			
		Amount	% of all fees
Highest		\$6,456	14%
Mid-range			
	High	\$4,958	21%
	Low	\$1,755	12%
Lowest		\$ 338	2%
Source: California Dept. of Housing and Community Development <sup>47</sup>			

In other instances, the relationship between the district and the land use authority needs to be developed first. This will prepare the land use authority to understand why a provision of impact fees for the special district is justifiable. In this situation, the district should pro-actively seek out the staff of the land use authority and nurture good relations with the governing body of the city or county to build support. Even then, the governing body will provide the funding only after coming to the realization that the special district adds real value to the community. The best way is for the special district to generate that kind of understanding by consistently acting to deliver great customer service and high-quality park and recreation products. Such a pattern should be backed up with a capital improvement plan that shows precisely where the money will go. Though an option, rather than a requirement of law,<sup>48</sup> a facility plan makes good business sense. It can only strengthen the case of the assessing agency to be able to refer to the plan.

*Concepts for success with impact fees*—Local governments can help shore up their resolve to collect fees and create an understanding on the part of the developers and the community-at-large as to the appropriate nature of the fees. Some rules of thumb for this include:

- **Fairness**: Look to recover only the fees needed to provide the services that will be generated by the development. Do not assign the corrective cost of pre-existing deficiencies to new developments.
- **Anticipation**: Forecast future needs. Plan ahead for capital improvements to meet those needs. Schedule the delivery of necessary facility upgrades and expansions to coincide with demand for the facilities as the community grows.
- **Specificity**: Explain why the new development will require a specific level of service. Rather than assert a general linkage, identify in detail the direct connection between the type of development and the type of facility improvement needed. Look for a specific nexus. For example, instead of seeking an impact fee from a new senior-citizen apartment complex for “better parks,” substitute, “...will create an immediate need for ADA code conformance upgrades to the community center to accommodate the expected demand for use of the center by senior citizens.”

- **Reasonableness:** The estimated costs of the facility improvements should reflect the going rate for construction in the area. So, if construction costs in the area are running about \$135 per square foot, fees should be set at around that level.
- **Alternatives:** Consider how the total costs of impact fees might burden the local economy. New developments should not be burdened with unlimited or excessive fees. Other funding sources may be more appropriate ways to pay for the improvements.<sup>49</sup> Examples include special assessments or general obligation bonds.

There is an overall message from this discussion of revenue potential from new developments. The message is about cautious optimism for park

**Everything but the kitchen sink:**

(Online resources from the Institute for Local Self-Government)

1. Development Agreement Manual<sup>50</sup>
2. Search the database on key word “development agreement”<sup>51</sup>
3. 12-step how-to guide for impact fees<sup>52</sup>

and recreation agencies. There are indeed several legitimate tools available to local governments in California for the derivation of impact fees from new developments. These tools can help pay for additional facilities to be established and for existing facilities to be improved. These opportunities are available if certain procedures are followed carefully. Knowledge about the ins and outs of local land use and development approval processes is essential for park and recreation agencies. Once informed, the agencies can be active in decisions about impact fees to benefit parks and recreation in their communities. An excellent resource, *Exactions and Impact Fees*<sup>53</sup> contains a much more detailed discussion of this subject.

**For more information:** See end notes 14-53. In particular, note the statutory authority for the Mello-Roos, Quimby and Mitigation Fee acts (end notes 34-36). On line searches for each of these acts will yield many sources containing definitions, pros and cons, site-specific experiences, expert advice, and professional associations eager to share their knowledge base. For best results, enclose all search words in quotes, e.g., “Mello-Roos Act”.

### 3. Assessments on Existing Property

However valid it may be to obtain infrastructure revenue from new developments, local governments are challenged to find ways to operate and maintain the improvements generated by new developments and to deal with infrastructure costs (capital improvements, rehabilitation, operations and maintenance) in built-out areas. In recent years, local governments have been looking for new revenue sources for these purposes, including the imposition of benefit-based assessments on property. These are levies or charges against real property that are used to pay for specific improvements linked to the affected property.<sup>54</sup> Revenues generated in this manner are then used to underwrite capital improvements and, in some cases, operation and maintenance costs associated with those improvements. The interest in use of benefit assessments grew out of the need for local government revenues to be restructured in response to Proposition 13 of 1978.

Proposition 13 imposed a reduced level of property taxes. One result was that local governments and schools lost billions of dollars of revenue they had been collecting. The state then enacted emergency “bailout” legislation for schools and local governments. This eventually evolved into a complex web of state aid, with some funds for general use and others for specific purposes. Local government budgets have thus become increasingly dependent upon the state. The California Institute of County Government stated the problem as follows in a recent report:

*“One of the unintended consequences of Proposition 13, adopted in 1978, is that local government finances are at the mercy of the state. To compensate for the loss of control of property taxes, localities have been forced to compete for sales tax revenue, often resulting in unsound land use decisions, building more retail than we need and much less housing than we need, and often in the wrong places. Or localities have resorted to levying fees to obtain revenue, often on housing, thus further reducing housing affordability. Moreover, there is no fiscal incentive for local government to repair infrastructure, so it must rely on new development to generate income.”<sup>55</sup>*

A mandated revenue transfer, called the Education Realignment Augmentation Fund (ERAF), was established in the state budget for the 1992-93 fiscal year. ERAF further complicated the strain on local revenue streams for infrastructure expenditures. The state shifted a portion of local property tax revenues away from cities, counties, and some special districts to schools as a means of dealing with a large budget deficit at the state level for that year. This considerably reduced local funds available for purposes other than education. ERAF has remained in place every year since. It has caused local governments to shift some \$5 billion annually.<sup>56</sup> The Proposition 13 and ERAF reductions have stimulated local governments to seek relief via the many statutes that allow the imposition of assessments.

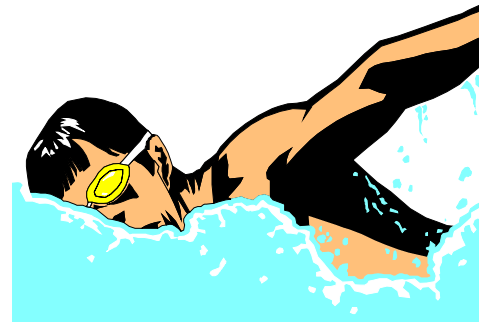
The Landscape and Lighting (L&L) Act of 1972<sup>57</sup> empowered local governments to levy an assessment for improvements with direct benefit to property if certain procedures were followed. Park and recreation improvements and services were among the uses authorized by the Act.<sup>58</sup> Until the passage of Proposition 218 in 1996, a local government could impose the tax after determining there was not a formal, written

protest from a majority of owners of property to be assessed. This threshold was lower than the two-thirds voter approval limit of Proposition 13. Also, in the event that not all property owners returned ballots, it was difficult to reach the required protest level. Some local governments used their L&L powers to replace funds lost to Proposition 13. The statute was sustained by the California Supreme Court in 1992 in *Knox v. City of Orland*.<sup>59</sup> The case upheld the use of L&L authority for park maintenance assessments against challenges that those assessments violated Proposition 13 and various assessment law requirements. Then Proposition 218 targeted many of the Court's findings in the *Knox* decision.<sup>60</sup> The initiative overturned those findings and limited the use of landscape and lighting assessment districts in certain circumstances.

Local governments' ability to derive revenue for infrastructure investment was thus further limited by the enactment of Proposition 218. The Proposition required property-related assessments, fees, and charges to be submitted either to property owners for majority approval or to voters for two-thirds majority approval. The procedures for establishing property-based assessments were altered significantly under the Proposition and its implementing statutes. The changes included:

- limiting assessments to specific benefits linked to the affected properties
- disclosure of the procedures for balloting
- weighted property-owner voting per property size
- protest procedures and litmus tests for upholding an assessment if challenged
- authority for voters to reduce a previously approved tax via subsequent initiative
- new voter approval requirements for taxes and assessments<sup>61</sup>

In California, property has been assessed for a variety of park and recreation purposes. Some examples include open space acquisition and improvements to parks, playgrounds, landscaping, and related services. But under Proposition 218, only special benefits and not general benefits are assessable. That is, if services that benefit property also provide some benefit to the general public, the services are not assessable. Further, mere enhancement of property values is not a valid basis for an assessment. Only the direct costs attributable to the service(s) benefiting the property are assessable. Costs are to be documented in a professional engineer's report that identifies the property to receive the special benefit and accordingly apportions annual costs to each unit of property that benefits.



The procedures for an assessment under Proposition 218 require all owners of property within the proposed assessment district to be mailed a notice of public hearing and a ballot with which to voice their approval or disapproval of the proposed district at least 45 days prior to the hearing. The balloting is weighted according to the proportional financial obligation that would be placed on the affected property. The assessment district can be formed if a majority of the ballots received by the conclusion of the hearing do not protest creation of the district. If the District is approved, the assessment is established and will be billed on the property tax bills each year. For the local government, chances for success are enhanced if the need for the expenditure is clearly

communicated so as to generate understanding and acceptance on the part of those who will pay the new charges.<sup>62</sup>

Once an assessment is imposed, it may be repealed or reduced by popular initiative.<sup>63</sup> However, the language of the initiative raised a number of specific issues and procedures concerning repeal. These may require further legislation or court decisions in order to be resolved. Because of this, Proposition 218 is still undergoing court challenges from proponents and opponents. The effect is an on-going redefinition of the initiative's meaning by the courts.

The League of California Cities maintains an online guide to implementation of Proposition 218 with updated information as driven by case law.<sup>64</sup> The January 1997 edition of the guide was upheld as authoritative by the court in the 1997 case, *McBrearty vs. City of Brawley*,<sup>65</sup> thereby permitting use of the guide in future cases.<sup>66</sup> As of Spring 2003, challenges to assessments concerning open space are working their way through the courts. One of the issues is whether open space is a special benefit to parcels being taxed (allowed) or a benefit to the entire public (not allowed). There are also procedural issues such as:

**Same dance, different music**

Proposition 218 may have changed the rules for property tax elections, but it did not remove local governments' ability to enact assessments.

- whether a Joint Powers Authority is allowed to conduct a mailed-ballot assessment procedure
- whether to allow protests not submitted on official ballots
- the adequacy of voting processes

Thus far the courts have ruled in favor of agencies imposing open space assessments, but appeals are being predicted.<sup>67</sup>

There are indications that, while difficult, it is indeed possible for local governments to tap into this potential source of revenue. Table 1, below, shows that, from 1986 to 2000, recreation and park districts have attempted to levy 46 assessment measures for park and recreation improvements. The table shows that there were 44 such municipal elections. Of these, just over a third have been successful. For counties, only two of eight such tax measures passed. The 35% pass rate for recreation and park district tax measures is lower than the 45% rate for all special district tax measures. The city park and recreation pass rate of 34% is under the 47% rate for all municipal tax measures. For the counties, the 25% park and recreation pass rate lags behind the overall 33% pass rate. Park and recreation tax measures overall passed 34% of the time, which exceeded the county pass rate for all functions.

The comparable figures for park bonds, which require a two-thirds majority of registered voters to pass, are:

- districts passing two measures for a pass rate of 15%
- cities passing 13 measures at a pass rate of 33%
- counties passing one measure for a pass rate of 20%

These figures can be compared to a pass rate of 25% for all park bonds. For cities and districts, park bonds lagged behind the totals for all bond measures, with all bonds succeeding for cities at the rate of 49% and all districts at 50%. The success rate for county park bonds mirrored the rate for all county bonds. For comparison, statewide park bonds, which require a simple majority, passed in 2000 by 63.2%.<sup>68</sup> They passed in 2002 by 56.9%.<sup>69</sup> Neither state measure achieved the two-thirds majority required for local park bonds.

**Table 1: CALIFORNIA LOCAL TAX AND BOND ELECTIONS 1986 – 2000<sup>70</sup>**

	Park and Rec tax measures		Park and Rec bond measures		All tax measures		All bond measures	
	Try	Pass rate	Try	Pass rate	Try	Pass rate	Try	Pass rate
Cities	44	34%	40	33%	586	47%	142	49%
Counties	8	25%	5	20%	181	33%	25	24%
Districts	46*	35%*	13*	15%*	461**	46%**	66**	50%**
All levels	119	34%	60	25%	1228	45%	233	46%
*=Recreation and Park Districts only    **=All special districts/all functional areas								

Though Proposition 218 changed the way property tax elections are held, local governments have continued to enact assessments. Passage rates for tax measures have stayed about the same in the post-Proposition 218 era.<sup>71</sup> A partial list of the assessments passed successfully since the enactment of Proposition 218 includes the entities listed in Table 2, opposite.<sup>72</sup> More information on these assessments is available from the agencies themselves.

Of course, past results of bond and tax elections are no guarantee of future results. For example, analysis of transportation measures during the period 1986-2000 revealed general success at higher levels than other kinds of measures during the period 1986-2000.<sup>73</sup> More recent data indicate that in the November 2002 election, four of five transportation tax measures failed.<sup>74</sup> Careful evaluation of specific local conditions is required if new measures will have better chances for success.

**For more information:** See end notes 54-74. In particular, refer to the League of California Cities' online guide (end note 64). Since implementation and case law are works in progress, keep a lookout for local bond measures, parcel tax elections and court decisions. Learn from agencies that have gone to the voters—why did the elections succeed or fail?



<b>Table 2: Partial List of Successful Post-Proposition 218 Assessments</b>		
<b>ENTITY</b>	<b>PURPOSE</b>	<b>YEAR FORMED</b>
City of Vacaville <a href="http://www.ci.vacaville.ca.us">http://www.ci.vacaville.ca.us</a>	parks and recreation	various 1999-2002
Mountains Recreation and Conservation Authority <a href="http://www.smmc.ca.gov/MRCA-press.html">http://www.smmc.ca.gov/MRCA-press.html</a>	open space	2002
Sunrise Recreation and Park District <a href="http://www.sunriserecreationpark.org">http://www.sunriserecreationpark.org</a>	recreation facilities	2002
City of Palmdale <a href="http://www.cityofpalmdale.org">http://www.cityofpalmdale.org</a>	park maintenance and recreation facilities	2002
City of Lompoc <a href="http://www.ci.lompoc.ca.us">http://www.ci.lompoc.ca.us</a>	park and city pool maintenance	2002
Feather River Recreation and Park District <a href="http://frrpd.com">http://frrpd.com</a>	parks and recreation	2002
Ventura County - Oak View <a href="http://www.ventura.org/gsa/parks">http://www.ventura.org/gsa/parks</a>	parks and recreation	2002
Placer County - Granite Bay <a href="http://www.placer.ca.gov/facility/parkgrnd.htm">http://www.placer.ca.gov/facility/parkgrnd.htm</a>	parks and recreation	2001
Santa Clara County Open Space Authority <a href="http://www.openspaceauthority.org">http://www.openspaceauthority.org</a>	open space and parks and recreation	2001
Conejo Recreation and Park District <a href="http://www.crpdpd.org">http://www.crpdpd.org</a>	parks and open space	2001
Pleasant Valley Recreation and Park District <a href="http://www.pvrpd.org">http://www.pvrpd.org</a>	parks and recreation	2001
Fair Oaks Rec. and Park District <a href="http://www.fairoakspark.org">http://www.fairoakspark.org</a>	parks and recreation	2000
Fulton-El Camino Recreation and Park District <a href="http://www.fecrecpark.com">http://www.fecrecpark.com</a>	parks and recreation	2000
Rancho Simi Recreation and Park District <a href="http://www.rsrpd.org/">http://www.rsrpd.org/</a>	parks and open space	2000
El Dorado Hills Community Services District <a href="http://www.edhcsd.org/">http://www.edhcsd.org/</a>	park maintenance	various 1987-2000
Mission Oaks Recreation and Park District <a href="http://www.morpd.com">http://www.morpd.com</a>	park maintenance	1999
City of Moorpark <a href="http://www.ci.moorpark.ca.us">http://www.ci.moorpark.ca.us</a>	park maintenance	1999
County of Placer (Applegate Park) <a href="http://www.placer.ca.gov/facility/parkgrnd.htm">http://www.placer.ca.gov/facility/parkgrnd.htm</a>	park maintenance	1998
San Joaquin County Parks <a href="http://www.co.san-joaquin.ca.us/parks">http://www.co.san-joaquin.ca.us/parks</a>	park maintenance	1997
Elk Grove Community Services District <a href="http://www.egcsd.ca.gov">http://www.egcsd.ca.gov</a>	park maintenance	various 1997- 2002



## 4. Grants

Grant funding is another potential area for new revenues. Grant money is available from both public and private sources. On the public side, local park and recreation agencies are eligible for millions of dollars of bond act funds approved by the voters of California in 2000 and 2002 and other state grants. Federal grant programs also provide dollars through a variety of grant funds to local park and recreation agencies. Eligibility, application deadlines and other program requirements differ among the many grant opportunities available. Some grants are competitive. Others are allocated on a per capita basis or are directly specified in legislation. Information on the bond acts, state grants and federal funds for local parks in California is available from the following partial list of government grant offices:

- California Arts Council—Artists in Communities and other programs.<sup>75</sup>
- California Attorney General's Crime and Violence Prevention Center—grant funds listed for various programs.<sup>76</sup>
- California Dept. of Boating and Waterways—various grant programs.<sup>77</sup>
- California Dept. of Parks and Recreation, Office of Grants and Local Services—park bond grant programs under Proposition 40, state Habitat Conservation Fund and specified grants in state budget, federal Land and Water Conservation Fund and National Recreational Trail Program grants.<sup>78</sup>
- California Dept. of Parks and Recreation, Historic Preservation Office—historic preservation grants for museums, collections and facilities.<sup>79</sup>
- California Dept. of Parks and Recreation, Off-Highway Motor Vehicle Recreation Division—off-highway vehicle grants and motorized recreation trails program grants.<sup>80</sup>
- California Dept. of Transportation—Environmental Enhancement and Mitigation (EEM) grants via Ca Resources Agency<sup>81</sup> and Transportation Enhancement grants<sup>82</sup> per U.S. Dept. of Transportation. (*Note: funding for the EEM program has been suspended through 6/2004*).<sup>83</sup>
- California Department of Water Resources—urban streams restoration grants and links to related grant programs.<sup>84</sup>
- California Integrated Waste Management Board—playground surface safety and recycling grants.<sup>85</sup>
- California Office of Criminal Justice Planning—juvenile delinquency prevention grants.<sup>(86)</sup>
- California Resources Agency—bond act grants under Propositions 12, 13, 40 and 50.<sup>87</sup>
- U.S. National Endowment for the Arts—grants for public art projects.<sup>88</sup>
- U.S. National Park Service—various grant programs.<sup>89</sup>
- U.S. National Park Service Urban Parks program—urban park and recreation recovery grants.<sup>90</sup>

### **Are grants available?**

Not all grant programs are active at any given time. Contact the program offices for current status.

As the above list demonstrates, public grants for related park and recreation purposes are not solely provided by traditional funders of park and recreation programs. For more information, consult the Governor's Office for Innovation in Government, which maintains

an inventory of all grants administered by state agencies.<sup>91</sup> Also, the DPR Planning Division has posted an extensive list of grant programs on its web site.<sup>92</sup> The list is intended to be “work in progress,” rather than a definitive list, such that new and updated information may be added frequently.



A creative, “outside the box” effort, can lead to valid revenues from funders other than mainstream park and recreation agencies. Those funds can help underwrite vital new recreation facilities and programs. Consider the Community Development Block (CDBG) Grant, available from the U.S. Department of Housing and Urban Development (HUD).<sup>93</sup> This federal grant program is in widespread use by park and recreation agencies in California. Regulations allow the funds to be spent on

recreation facilities, with an important provision that a grantee can borrow against its future entitlements (with an interest rate penalty).

This provision enables certain metropolitan city and county recipients of these block grants to pay for major facilities having costs that exceed the recipient’s annual entitlement. Information on the program is typically available from the community development or planning departments of the eligible cities and counties. As an example, the City of San Fernando borrowed against its future CDBG allocations to help win grants from the state and Los Angeles County for rehabilitating the city’s swimming pool. Fixing the pool is an expensive undertaking that might have stalled absent the CDBG opportunity.<sup>94</sup> HUD also provides grants for smaller cities and rural communities that do not participate in the entitlement program. Information on that part of the CDBG program is available online from the California Department of Housing and Community Development (HCD).<sup>95</sup>

Corporate, charitable, faith-based and community foundations also provide support for park and recreation facilities and programs, even during times of economic stress. According to the Foundation Center,<sup>96</sup> in 2001 there were over 56,000 such grant-making organizations nationwide that offered nearly \$30 billion of charitable giving.<sup>97</sup> Foundation support may be direct or it may come through non-profit organizations, such as a “Friends of” organization engaged in a partnership arrangement with the local park and recreation agency. For the agency, the key is to find an alignment between the purpose for which funds are being requested and the object of the grant program.

There are many sources of information for grant seekers in libraries, online and in resource centers throughout California. The federal government maintains a web page with links to federal grant and loan programs.<sup>104</sup> HCD also has a grant-seeking tool

#### **Foundations for Success**

Just a few of the many foundations that offer grants pertaining to parks and recreation:

##### *Arts and Culture*

- Ford Foundation<sup>98</sup>
- Pew Charitable Trusts<sup>99</sup>

##### *After-school programs*

- David & Lucille Packard Foundation<sup>100</sup>
- Robert Wood Johnson Foundation<sup>101</sup>

##### *Historic Preservation*

- J. Paul Getty Trust<sup>102</sup>

##### *Natural resources*

- William & Flora Hewlett Foundation<sup>103</sup>

online.<sup>105</sup> On the private side, the Foundation Center and other organizations offer search capability for foundation grants and provide training for grant-seekers. Another one-stop web site for grant information is offered by the National Recreation and Park Association.<sup>106</sup>

Tools like this can help park and recreation agencies locate funds for which they are eligible. The on line data sets may have subject headings about program areas other than parks and recreation, but the various programs might hold ways for parks and recreation to be funded as infrastructure improvements, community development, after-school activities, and so on. More information on grant funds, grant-seeking techniques, grant writing tips and grant implementation advice is available on the DPR Planning Division, Technical Assistance web site.<sup>107</sup>

**For more information:** See end notes 75-107. The many web sites that provide grant opportunity search engines and links to active grant programs can be especially helpful (e.g., end notes 91, 92, 97 and 104–107). Learn from funders why some grant applicants were successful while others were turned down. Refer to the DPR Planning Division, Technical Assistance web site's PowerPoint presentation "Taking the Mystery out of Grant Writing" for an overview of grant writing techniques [www.parks.ca.gov](http://www.parks.ca.gov) (end note 107).



## 5. Volunteers and Donations

Another kind of giving comes from individuals and groups in the community. Volunteer labor and donations of money, services or material are potentially attractive resources for agencies that cannot afford to pay additional staff or make purchases beyond the budget for expenditures. Yet most localities have individuals and firms who would be delighted to help make a difference in the community. So park and recreation agencies can seek out volunteer labor and donations from the community to support recreation programs and improve facilities. Examples include tree-plantings, mentoring, youth-group park improvement projects or adopt-a-park and adopt-a-park-component donations. Park and recreation agencies can consider seeking out scout groups for specific Eagle Scout or Gold Award projects such as picnic table slabs, painting projects, trails, murals, gardens or gazebos. Agencies can also seek out Sheriff's work crews or court-mandated community service crews for projects like litter removal, creek clean-up, or trail maintenance.



Most communities are host to one or more service clubs (Rotary, Kiwanis, Lions, Soroptimists, etc.), business associations, churches and neighborhood associations and other groups who would probably be happy to contribute to the betterment of park and recreation programs in their area. Park and recreation agency staff members could consider asking those organizations for support. It helps the chances of that kind of support being delivered on an ongoing basis if staff members actively participate as members of the organization or serve on the boards of directors. Another way to form this connection is to invite those organizations to serve on the park and recreation agency's committees and advisory bodies.

Californians have shown a high willingness to contribute to their communities by volunteering. The organization, Volunteer Centers of California, reports its 41 centers annually refer over 650,000 volunteers to some 40,000 community-based organizations in the state.<sup>108</sup> The strength of these sorts of programs is that the support comes from the customers themselves. The customers bring a keen sense of ownership of the outcome. Volunteers are also inclined to contribute money as well as time, giving at a higher rate than others.<sup>109</sup> One way to tap into this reservoir of support is for the park and recreation agency to establish a "Friends of" organization as a registered non-profit organization which exists to support the agency.

As a non-profit entity, such an organization can obtain grants on behalf of the agency when the agency itself is not eligible. A "Friends of" organization can also be a fundraiser, receive donations, coordinate volunteer support and assist with match requirements (cash and in-kind labor) for grants to the agency. Another way a "Friends of" organization can help is to be a gateway to the corporate world's sense of civic responsibility. That in turn may yield valuable

It's Good To Have Friends...  
The Regional Parks Foundation is a "friends of" organization that has supported the East Bay Regional Park District since 1969. According to the Foundation, its support has been worth over \$30 million in donations, grants and in-kind services for the district.<sup>110</sup>

community engagement from the corporate sector. Depending on its tax-exemption status, an independent “Friends of” group may also provide a supportive voice for tax or bond measures, for which the agency must legally remain impartial.<sup>111</sup>

Public policy at both the federal and state level has placed high priority on the commitment of volunteers in public service delivery. The Governor’s Office on Service and Volunteerism (GOSERV)<sup>112</sup> is a good starting point for further information on how to run a volunteer program and how to be a volunteer. The Office can also assist local entities with finding volunteers or obtaining resources for a volunteer program. It also offers technical assistance for volunteer program coordinators.

The GOSERV web site suggests consideration of several key factors for volunteers, including time commitment, nature of services provided, skills and talents, and support structures and background checks. The site also contains a manual for training volunteers.<sup>113</sup> For more information on how volunteers can help with service delivery, contact GOSERV.<sup>124</sup> Other abundant information resources on volunteerism are available from organizations like the Volunteer Centers of California,<sup>115</sup> the Corporation for National and Community Service (parent of Americorps and Seniorcorps)<sup>116</sup> and a host of additional entities that can be located online.

**For more information:** See end notes 108-116. The web sites of the Volunteer Centers of California (end note 108) and GOSERV(end note 112) are good starting points. Lay the foundation for a “Friends of” group by getting to know the service organizations in your community that might support parks and recreation. Empower park and recreation agency staff to attend meetings of the organizations, to be lunch speakers and to be able to serve on their boards and committees. Invite the organizations’ members to sit on park and recreation agency committees and advisory groups.



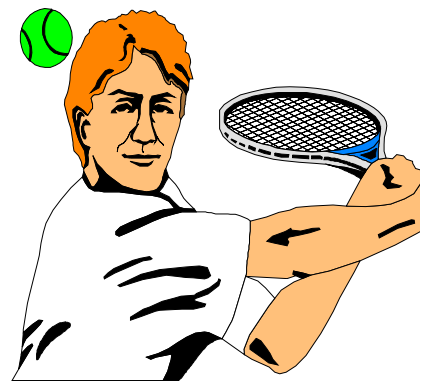
## 6. Collaboration and Public-Private Partnerships

The participation of other agencies or the private sector offers another way to expand park and recreation and program offerings. In one concept, the private sector is engaged by contracting out for services. This method trades one kind of person-hour for another, thereby serving to avoid long-term costs. But if the current budget is at a minimal level, costs saved with this technique could result in only marginal service delivery benefits for the end user. This is because the users get existing services in a different form, rather than receiving more services. It is helpful to move beyond a cost-driven orientation to a service-driven perspective if the premise is to expand services. With this approach, collaboration with outside partners is seen as a way to extend the reach of services—to offer existing services to more users or to add new services.

Local park and recreation agencies that partner with like-minded organizations can conceivably acquire new resources they need to attain their goals. Or they can avoid direct program expenses by enabling the demand to be met by the partner. In this way park and recreation agencies can adjust the mix of services and facilities for the people of the community. Perhaps there are other public agencies or non-profit organizations that would value having a cooperative relationship with the local park and recreation program. Or there might be for-profit entrepreneurs or businesses in the community who would like to grow their business in some way that involves parks and recreation. Opportunities may well exist for collaboration, whether with one other organization or as a multi-party effort.

The collective contributions of several entities can produce a result that is greater than the sum of the parts. Perhaps a school could provide access to funding sources, a park agency could host after-school activities at one of its facilities, and a non-profit organization could deliver the operational components. Consider the experience of the Northeast San Juan County Family Center, a \$6.6 million facility in Aztec, N.M. Four different entities in the community joined together on a project to serve multiple users. The four organizations—Boys and Girls Club, a school district, a community college and the City—first determined their facility needs and capabilities. They then engaged community volunteers and funders to build a combined community center, gymnasium and education facility. Had they attempted the project individually, none of the agencies could have afforded the project or delivered it so efficiently.<sup>117</sup>

**Working With Community Groups.** One approach to collaboration depends upon a strong set of community partnerships that encourage and enable agencies and non-profit organizations to work together in meeting the needs of the community. These partnerships provide a framework for engaging key stakeholders—including police chiefs, business and religious leaders, elected officials, universities and representatives of major arts and cultural institutions—in collaborative efforts with community groups to keep parks and recreation programs going. Consider the existing policy initiatives that encourage recreation programs for at-risk youth. By joining together, park and recreation



agencies, non-profit organizations and schools can address this issue of mutual interest. An illustration is the Campership program, a joint effort of the Regional Parks Foundation, the East Bay Regional Park District and 29 non-profit and public agency providers that has enabled access for thousands of underprivileged youth in the Bay Area to summer day camp activities.<sup>118</sup>

**Working With Schools.** Communities have historically viewed school grounds and parks as important open space and recreation assets. In the mind of the public, school grounds are good places to go during after-school hours for soccer games, basketball practice, playing catch, flying a kite, or just taking an evening walk. In some parts of the state, school grounds may represent the only open space available for recreation in the community. In other areas, recreation features of a school are specifically managed through collaborative arrangements between the local recreation agency and community schools. For instance, the Mission Oaks Recreation and Park District in suburban Sacramento County shares responsibility for maintenance of 4 school parks with the local school district, while the District lists 15 other school facilities in its inventory of community recreation facilities.<sup>119</sup>

Park and recreation agencies and school districts can work together for the good of their communities in many ways. State law encourages public access to school grounds for recreation purposes.<sup>120</sup> Joint-use is enabled as well by provisions of state law concerning grants for new school construction.<sup>121</sup> Opportunities may also exist for cooperation on the conversion of surplus school grounds for community recreation purposes. Procedures for the disposal of surplus school real estate allow public recreation agencies to have first preference for acquisition, with potential under some circumstances for acquisition at below market value or for less than fee simple acquisition.<sup>122</sup> Prior planning and community support are essential ingredients for a smooth transition of a surplus school site into a new public recreation facility.

State law requires the receiving public agency to evaluate the need for the facility. The agency must also have a plan for the acquisition.<sup>123</sup> In addition, state law encourages community involvement as a means of avoiding conflict with community needs and desires regarding excess school facilities and, in the event of sale, lease or long-term rental of school property for non-school purposes, requires school districts to establish community-based advisory committees to assist with community input on acceptable uses of space and real property.<sup>124</sup> Park and recreation agencies would do well to become familiar with these procedures as a means of acquiring excess school sites. Doing so can provide park-deprived neighborhoods with valuable new facilities. Such was the case for the Sunrise Recreation and Park District of Citrus Heights. The District's 10.2-acre Robert Frost Park, previously owned by the Rio Linda Union School District, was acquired this way in the early 1990s.<sup>125</sup>

**Working With After-School Programs.** After-school programs have attracted considerable interest in recent years. There are two important programmatic pathways for after-school activities: criminal justice and education. Neither program is oriented around parks and recreation, but there is ample opportunity within each program for park and recreation agencies to receive funds. In its final report the School Violence Prevention and Response Task Force, noted:

*"The 21<sup>st</sup> Century program is the largest new federal after-school funding initiative. It focuses on providing low-income neighborhoods opportunities for enrichment.*

*California schools and communities received over \$50 million last year from this program. 21<sup>st</sup> Century Learning Centers offer varied activities for children and community members after school in safe and drug free environments. The activities range from tutoring and homework assistance, to enrichment projects in literacy, science, and math, gym, computer labs, and art studios. The main goal is to help children succeed . . .”*

*“Many after-school programs in California are funded by federal Child Development grants, as well as the new After School Learning and Safe Neighborhood Grant Program, administered by the California Department of Education. Other after-school programs offered in California schools are varied and rely on collaborations to provide services. Representatives from volunteer organizations such as the Boys and Girls Clubs of America, YMCA and YWCA, PAL (Police Athletic League), Teens-on-Target and federally and state funded programs such as LA’s BEST and START, testified before the Task Force about their success and the need for program expansion.”<sup>126</sup>*

**What do law enforcement leaders say about after-school programs?**

When asked to select which of several strategies, including prosecuting more juveniles as adults and hiring more police officers, will have the “biggest impact” on reducing youth violence, 75% of California’s law enforcement leaders picked providing more after-school programs and educational child care.<sup>127</sup>

What if park and recreation agencies want to tap these potential revenue sources as a means of enhancing after-school programs in park settings? To do so they will need to engage in the emerging public policy dialogue with school and public safety leaders. The discussions can show how the parks can add value to the after-school effort. This is a way for the after-school program funders to gain an understanding that park and recreation agencies are valuable players who deserve a role in delivery of these kinds of activities. At present, the focus of after-school programs is oriented around education itself, with additional emphasis on juvenile crime-prevention. Yet a careful reading of the program literature reveals clear interest among the advocates in specific activities traditionally delivered by park and recreation agencies. Park and recreation agencies have core competencies in physical fitness, youth sports, arts and crafts, and team and life skills development.

The linkages between parks and after-school programs are obvious to parks professionals. But parks can be off the radar of educators, juvenile crime specialists or youth development advocates. Still, there is an emerging body of research supporting quality “out-of-school” activities, (e.g., a recent youth sports program analysis funded by the Annie E. Casey Foundation and the Fannie Mae Foundation entitled “Sports as a Hook”).<sup>128</sup> This means park and recreation professionals can have a better entrée to the public policy discussions about after-school initiatives and the funds to support these endeavors.

There is a wealth of information available online for park and recreation agencies to learn how to connect with after-school initiatives. For example, the Afterschool Alliance’s California web site<sup>129</sup> addresses programs and issues specific to California. Another data source is a web site aimed at after-school program directors.<sup>130</sup> Much of the

guidance available stems from non-profit organizations interested in youth development, such as the Academy for Educational Development<sup>131</sup> and the Charles Stuart Mott Foundation.<sup>132</sup> Because of this, the online data sources typically contain links to funders,<sup>133</sup> potentially opening doors for collaborative opportunities with corporate or foundation partners.

Because education is the driving consideration, park and recreation agencies must think seriously about forming a partnership arrangement with schools that are eligible for funding. A local park and recreation program could thus contact a school, school district or County Office of Education with a proposal to become an active participant in the delivery of after-school services. In this way, the local park and recreation program might gain access to facilities at a school. Or a park agency could acquire funds to run an after-school program at a park facility. Local park and recreation agencies in California have found success with this approach. For instance, the City of Lancaster's "Lancaster CARES" after-school program enabled the City's park staff to solve funding and space limitations by collaborating with the school district.<sup>134</sup>

The state's public after-school funds are primarily delivered through the After School Education and Safety Program of the Department of Education (CDE).<sup>135</sup> The program acknowledges the importance of recreation for school-age children. It is delivered, in part, through the California AfterSchool Partnership, a collaborative effort of the CDE, the Foundation Consortium for California's Children and Youth, and the Governor's Office of the Secretary for Education.<sup>136</sup> This Partnership includes technical assistance<sup>137</sup> delivered at the regional level.<sup>138</sup> To be eligible for after-school funds, an after-school program must offer a number of components, one of which is:

*"An educational enrichment component, which may include but is not limited to, recreation and prevention activities. Such activities might involve the arts, music, physical activity, health promotion, and general recreation; work preparation activities; community service-learning; and other youth development activities based on student needs and interests."*<sup>139</sup>

The passage of Proposition 49 in 2002 was intended to expand the extent of after-school programs in California. Prior to Proposition 49, the state had been spending some \$95 million for before-and-after-school programs, with a priority on schools serving underprivileged children, as indicated by the rate of federally subsidized meals. The federal government was also providing funding for academic and recreational activities before and after regular school hours to students at many sites in California. The state also expects to receive \$41.5 million in federal funds for the 2002-2003 fiscal year to administer and provide new grants to local education agencies and community-based organizations for these activities. Significant expansion is now possible for these programs.

Proposition 49 can increase the annual state funding to up to \$550 million.<sup>140</sup> The new program, though not expected to begin until 2004 at the earliest, has authorization for statewide implementation. It adds computer training, fine arts and physical fitness as possible enrichment components. In addition, it stipulates that local law enforcement agencies be involved with the program design at the local level—a provision that could include park rangers who are peace officers. Proposition 49 also provides that programs may be located away from school sites under certain circumstances—if they meet the same standards as school sites and if safe transportation is provided. This is a potentially attractive

program for park and recreation agencies interested in expanding their revenue base through collaboration with schools.<sup>141</sup> For more information on this program, contact the CDE After School Education and Safety Program.<sup>142</sup>

**Working With the Private Sector**—Collaborative partnerships need not be limited to public agencies. For-profit firms and non-profit organizations in the community are another set of possible entities that may have a mutual vision for the community collaborating with the park and recreation agency. Most park and recreation agencies already have relationships with businesses for things like concession contracts, program sponsorships, utility installation leases, and even naming rights on ball fields, pools and other facilities. This does not

necessarily mean putting ubiquitous commercial signs in restrooms and corporate logos on park employee uniforms. Indeed, companies are seeking less intrusive ways to develop lasting relationships with communities. They may even be open to a cooperative marketing partnership---a single partnership with an entire park and recreation

#### **Corporate logos and advertising**

Some communities have found success in arrangements with commercial entities whose marketing efforts are delivered via park and recreation programs. For instance, businesses often sponsor youth sports teams, whose uniforms display the name of the business. Commercial logos are also found on scoreboards and billboards around ball fields, indoor gyms and sporting rinks. The advertising provides revenue for the recreation activity.

agency. Such a relationship could be of much greater value, meaning more cash revenue, to the agency than a traditional single-event sponsorship.<sup>143</sup>

Most every community has non-profit organizations with missions likely to be aligned to some degree with the goals of the park and recreation agency. But there could be such an organization in the local area with service delivery goals that have been frustrated by lack of a facility. If the local park and recreation agency has a facility, but cannot afford to operate a specific program for lack of funds, it may be to the mutual advantage of both the agency and the non-profit organization if the organization uses the public park facility as a service venue. Some examples might include:

- use of the community center building for flu shots or tax form assistance for seniors
- leveraging the dog park as a site to socialize humane society animals
- an off-season pool lease to a community swim club
- allowing service clubs and scout groups to meet in the park offices in return for a specific volunteer labor commitment
- hosting nature study group (e.g., Audubon, Sierra Club) field trips in park nature areas
- contracting with public and private schools for athletic teams to use park facilities for practices and home-team events or for their music/drama performances

Ultimately, it really does not matter to the local residents which community organization owns or operates a program. Instead, what counts is that the community gets the services it wants, with the convenience, quality and price features it demands. People want to feel good about the communities where they live and work. If the overall

recreation and park picture in a community is laden with bureaucratic turf barriers, the set of services will likely be one that is incomplete or inefficient. By contrast, service delivery via broad partnerships across program lines can fulfill the park and recreation needs of many different user groups. This translates to satisfaction for the community. It may also expand the constituency that can be called upon to support park and recreation budgets.

Despite the potential for good that may come from partnering, the interested park and recreation agency has to keep its eyes wide open in the process. Some arrangements that are called partnerships are in fact merely one-time convenience contracts. When grant money or other funding runs out, the program delivered by the partnership disappears and the customer loses the service. This is not a true partnership, which would instead be driven by a shared commitment to the fulfillment of customer needs. A recent review of the federal 21<sup>st</sup> Century Community Learning Centers Program found sustainability of the programs was lacking for a number of reasons, including insufficient collaboration with other community organizations. According to the report, centers tended to contract with community agencies as vendors of specific after-school sessions rather than as partners with shared governance or combined operations.<sup>144</sup>

A more lasting approach would have structured the program response around the business needs of each agency as opposed to the grant requirements of the funder. The 21<sup>st</sup> Century Centers report found successful partnerships took hard work and commitment. Success factors included sufficient staff time to develop and maintain collaborations, full-time directors or site coordinators who could spend more time working with organizations, cooperation at the grant-writing stage (identifying roles, responsibilities, and budgets), plus open and frequent communications with regular planning and coordination meetings as well as informal communications.<sup>145</sup>

Done right, however, a real partnership can bring dividends. Consider the way the Valley-Wide Recreation and Park District brought its new \$1.5 million community center to fruition with the cooperation of the Menifee Union School District.<sup>146</sup> Public-private partnerships have also been valuable for the City of Los Angeles. The City's Recreation and Parks Income Development (RAPID) Division was established in 1992 to develop partnerships with private and non-profit sectors in order to enhance recreation and parks services across Los Angeles. Since then, RAPID has coordinated and established several programs: Youth Basketball with the Los Angeles Clippers, the Tregan Golf Academy and Wonderful Outdoor World. It also enabled expansion of the Park Ranger's Bike Patrol, and helped a supportive organization, Friend of Recreation - Los Angeles (for-L.A.), to launch its inaugural fund raising event: Run 4 L.A.<sup>147</sup>

**For more information:** See end notes 117-147. Get to know the peer group leaders in the private for-profit and non-profit sectors of your area as well as counterparts in like-minded public agencies. Engage them in discussions about cooperation for the good of the community. Show how the core competencies of the park and recreation agency can add value to the enlightened self-interests of these businesses and other agencies. For after-school programs, become familiar with the CDE's After School Education and Safety Program (end note 135) and the Afterschool Partnership (end note 136) and join the emerging policy dialogue about forthcoming implementation of Proposition 49.

## Summary and Conclusions

There are many ways for local park and recreation agencies to obtain additional revenues or equivalent fiscal resources, even during times of economic austerity. The first step is always for the local park and recreation agency to know that its own house is in order, thereby being able to demonstrate wise use of public money. This implies ensuring that all expenses are indeed proper and that spending proceeds according to a plan driven by the expression of public need. A good starting point is to ask the customers if they are satisfied with the level of service delivery and make adjustments accordingly. If the feedback is that an expanded set of services is desired, then the local park and recreation agency can be confident that its quest for additional fiscal resources is supportable and holds a greater likelihood of success.

Some means of raising fiscal support are within the immediate span of control of the cities and counties, such as public policies towards land use and development. Special districts cannot exert this kind of direct control, but they can make arrangements with the cities and counties they serve. The outcome will be for mutual benefit. It is also entirely within the control of local park and recreation agencies to understand their own marketplaces and to tailor their offerings to their customer bases. Further, a local park and recreation agency can seek out volunteers or collaborate with other entities to expand services. The agency should ask itself if it has tapped all legitimate sources or if a conscious decision has been made to bypass the source. Mere existence of an untapped source is not necessarily a valid reason for an exercise of the police power, embarking on a new market venture, or seeking out the support of other parties. The notions of responsiveness and good value for the community should guide the agency in its decision to move forward.



Perhaps the greatest challenge is to earn resources from outside the jurisdiction. Whether “someone else” is a potential donor of grant funds, material or labor, it is up to the local park and recreation agency to present a convincing argument. The local park and recreation agency has to identify the alignment between its request and the willingness of the potential donor. It must then communicate its need persuasively, typically in a competitive environment, such that the donor is eager to say “yes” to the request. Because it is much easier for a potential donor to deny a request, the burden is on the local park and recreation agency to show it has done its homework and will deliver a solid return for the donation or grant.

This report has discussed a variety of possible sources of fiscal support for park and recreation agencies. Resources have been cited for the options presented. Whenever possible, web addresses have been listed in the endnotes. More information on the subjects raised by this report can be found in libraries and on the Internet. Examples of successful initiatives by local park and recreation providers have been provided as starting points for the sharing of information within the park and recreation profession. It is hoped that local park and recreation agencies will find their way to these information resources and, perhaps, find a way to frame proposals for new fiscal resources for their programs and facilities.

Local park and recreation agency professionals are encouraged to evaluate their agencies’ potential prospects for additional fiscal support and to consider discussing them with their budget specialists, policy and budget committees and governing bodies. The Planning Division of the

California Department of Parks and Recreation is also available for further information. Please see the Division's Technical Assistance web site<sup>148</sup> or call the Division at (916) 653-9901.



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## Appendix B: California Local Governments and Their Funding Sources

### An Overview of Local Governments

There are over 6,000 local government entities in California,<sup>1</sup> as shown below. These include cities, counties and special districts. There are 58 counties in California and, as of December 2002, 477 cities<sup>2</sup> and 4,792 special districts other than public school and community college districts.<sup>3</sup> Cities and counties are general purpose governments, providing a broad array of public health, safety and welfare services within their jurisdiction. Special districts are limited purpose governments, oriented to one or more services desired by their residents. Most California cities and counties provide park and recreation services directly. Others rely on special districts for this purpose.

In contrast to cities and counties, special districts provide focused services. The California Senate Local Government Committee counts 3,361 special districts that share four characteristics: provides services, has boundaries, is a form of government, and has a Board.<sup>4</sup>

The Committee's figure subtracts districts that do not meet all of those characteristics from the total of 4,792 districts, such as Air Pollution Control Districts that are regulatory, rather than service-oriented, agencies. Nonprofit public benefit corporations are also excluded since they are corporations rather than governments.

Of the special districts, about 2,300 are *independent* special districts, governed by a separate board of directors elected by the districts' voters or appointed to a fixed term of office by either the city council or board of supervisors. The other districts, called *dependent* districts, are governed by existing legislative bodies like a city council or board of supervisors.<sup>5</sup> Of all special districts, nearly 300 provide local parks and recreation programs.<sup>6</sup> Those districts may include:

- Recreation and Park Districts established under California Public Resources Code Section 5780 *et seq.*
- Regional Park Districts and Open Space Districts established under Article 3 (commencing with Section 5500) or Authorities formed under California Public Resources Code Section 35100 *et seq.*
- Community Services Districts authorized to provide for public recreation as specified in California Government Code Section 61600 *et seq.*
- Public Utility Districts operating pursuant to California Public Utilities Code Section 15501 *et seq.*
- Memorial Districts formed under California Military and Veterans Code Section 1170 *et seq.*

#### LOCAL GOVERNMENTS IN CALIFORNIA

Counties	58
Cities	478
Special Districts	4,792
Service	3,361
Independent	~2,300
Dependent	~1,050
Regulatory	~1,430
School Districts	1,115
Public K-12	1,043
Community College	72
Total	6,443

Sources: California Legislative Analyst's Office, California State Senate, California State Controller, California Dept. of Education, League of California Cities

- Harbor and Port Districts formed under California Harbors and Navigation Code Section 5500 *et seq.*
- Special districts operating as water agencies authorized by California Water Code Section 12970 to operate and maintain recreation facilities *et seq.*

In addition, there are 1,115 other special districts in California that concern public education. These include 72 community college districts<sup>7</sup> and 1,043 public school districts.<sup>8</sup> The California Education Code acknowledges the importance of community recreation and authorizes joint use of schools, parks and other public recreation facilities for the general good of California communities.<sup>9</sup> Comparable provisions are also found in the California Education Code<sup>10</sup> concerning recreational use of community college facilities.

Considerable variation exists in the delivery of park and recreation services in the areas covered by these numerous public agencies. Some cities and counties, for example, provide no such services. Those cities and counties typically look to special districts to meet recreation needs for their residents, some of whom live in sparsely populated areas. Alternatively, the cities and counties may they leave this function to the private sector. At the other end of the scale are city, county or district recreation programs that have extensive facilities and that deliver myriad services to large numbers of people. Whatever the diversity of the public agencies that provide park and recreation services, each local government must operate within statutes that govern their ability to generate revenues.

### **Local Government Revenue Sources**

Local governments get the funds to support their annual budgets from many sources. Some revenues are associated with specific expenditure functions: 1) revenue that is generated in the form of fees and charges for direct services and 2) revenue associated with a specific service tied to external requirements of such things as grants, bond or sale agreements, lease agreements, and charter or statutory requirements. Examples of other general revenues, i.e. those that cannot be associated with a specific expenditure, include property taxes (other than voter-approved indebtedness), sales taxes, and business license taxes. State law has many stipulations that influence the flow of revenue to local governments. For example, Proposition 13 of 1978<sup>11</sup> provides the basis for the collection of property taxes. There are many excellent resources on the details of local government finance. For instance, the State Controller's Office posts annual financial reports for all types of local governments on its web site.<sup>12</sup> Also, "Western City" magazine, a publication of the League of California Cities, has an outstanding online summary of the local revenue picture.<sup>13</sup>

The collection of revenues and the pattern of annual expenditures can be widely different across the state. Revenues will clearly change from year to year, as related to local economic activity and fund transfers from the federal and state levels. This is particularly important at present, since the revenues of local governments are so closely tied to the state's annual budget, which as of the 2003/2004 fiscal year is facing a multi-billion dollar shortfall. Further, cities, counties and special districts have differing revenue streams and budgets per constraints established by the state. From the most recent information available, about one-third of city spending comes from discretionary general purpose revenues, with the largest share coming from the sales tax. About 40% of city revenues are from user charges to offset the cost of providing utilities and other services such as electricity and water. Cities typically allocate roughly one-fourth of their total revenues for public safety expenditures, i.e. for police and fire services.<sup>14</sup>



For counties, transfers of state and federal aid funds represent well over half of their revenues. General purpose tax revenues account for an additional one quarter of county revenue. About half of county spending is on various health and social services programs. An additional 30 percent of county spending is for public protection, including courts, police and fire services.<sup>15</sup>

Special districts generate revenue from a more limited assortment of sources. Some mostly collect fees to fund their activities, while others rely more heavily on property tax revenues:

- *Enterprise* districts rely primarily on non-tax revenues, such as user charges (e.g., monthly fees for utility services consumed). Examples of enterprise districts include municipal water districts and public utility districts. In the 1997-1998 fiscal year enterprise districts received \$13,820 million from customer billings for services delivered.
- *Non-enterprise* districts rarely bill the beneficiaries of their services, since it is largely impractical to assign most costs to specific users (e.g., people who look at open space or people who stroll through a park). Non-enterprise districts rely primarily on property taxes to pay for their operation and maintenance costs. As an example, in the 1997-98 fiscal year, of all special districts statewide engaged in recreation and park services, 50% of the revenue stream came from local property taxes. Another 22% was from fees.<sup>16</sup>

Beyond their operating fund accounts, local governments often budget for capital improvements and land acquisition. These can be big-ticket budget items that exceed a local government's ability to pay cash for the improvement from current year revenues. Therefore, local governments may seek additional funds from loans. Local governments also borrow money by issuing bonds. Bonds can pay for things like a renovated swimming pool or construction of a new community center building. There are several different types of bonds.

- Local government's *general obligation bonds* are backed by property taxes beyond the Proposition 13 limit. Because of this, these bonds require 2/3-voter approval. With the security of the property tax base, the loan will be at a relatively low rate. But it has proven very difficult for local governments to win 2/3-voter approval for bond proposals. School District bonds have a lower threshold for voter approval, 55 percent. In contrast, bonds at the state level need a simple majority for passage.<sup>17</sup>
- Another bond source is a *revenue bond*. Future income from enterprise activity (such as from utility fees) guarantees revenue bonds. Since loan payments for revenue bonds are guaranteed from future user fees, voter approval is not necessarily needed. Due to the linkage with enterprise fees, revenue bonds are of limited value for non-enterprise districts and for city or county departments involved with the non-enterprise function of parks and recreation.
- Other kinds of bond debt are linked to improvements connected to specific properties. Examples include *assessment bonds*, *redevelopment tax allocation bonds*, and *Mello-Roos Act bonds*.

1. California law allows local governments to establish a variety of assessments for community improvement.<sup>18</sup> Assessment bonds are financing tools that pay for the improvements by assessing groups of taxpayers (e.g., Business

Improvement District fees imposed on business owners, as opposed to the owners of the properties upon which the businesses are situated) or parcels of property that will be the beneficiaries of the investment to be funded by the bond money.

2. Redevelopment District assessments generate property-related taxes used to turn blighted areas into productive land. Property tax increases that would flow to cities, counties or special districts from the improvements in the area are captured by Redevelopment Agencies to repay tax allocation bonds used to pay for the improved infrastructure.<sup>19</sup>
3. The Mello-Roos Act of 1982 allows community facilities districts to be formed. The districts are vehicles for financing community improvements, such as parks. They impose parcel taxes on private developers who need public funds to provide the infrastructure needed to support new development. Owners of undeveloped land can vote to convert their land to a district with parcel taxes, with the result that future property owners will pay to retire the Mello-Roos Act bonds.<sup>20</sup>

Aside from taxes and bond revenues, local governments can charge impact fees, seek grants and use a number of other fund-raising devices to fund their park and recreation programs and facilities.

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## **Appendix C: Building a Case For Greater Fiscal Resources**

### **Funds That Supplement a Firm Fiscal Foundation**

By substantially reducing local property taxes, Proposition 13 of 1978<sup>1</sup> led to major changes in spending patterns for local parks and related recreation programs. Since the time of Proposition 13, further constraints on local finance have contributed as well, including other voter initiatives, state legislative mandates, and reductions in fund transfers to local governments from the federal and state level. For example, the average spending per person per month in cities dropped over 20% from 1991 to 2000.<sup>2</sup> But inflationary costs and the numbers of people to be served have been going in the opposite direction—up! It is enormously difficult for local park and recreation administrators to meet the demand for high quality programs and facilities without revenues that keep pace with costs. Moreover, they cannot expand their programs to meet new demand without funds to cover additional expenses. So local park and recreation budgets need to find new revenue sources.

Park and recreation agencies must justify any request for new funds. For approval of the request, the agency must be able to show that its existing funds are wisely used and that additional funds will be worth the investment. This kind of stewardship of public funds involves efficient delivery of high-quality services. It also implies managing fund balances consistently so as to smooth out cyclical fluctuations that may impact annual revenue flows and allow service delivery to continue at appropriate levels even during lean years.

Some rules of thumb for demonstrating fiscal stewardship include cutting out inefficient spending, increasing revenues from fees if appropriate, diversifying revenue streams across and within categories, and maintaining a prudent reserve. A public park and recreation budget that follows these guidelines will be on a strong footing for raising new revenues or equivalent fiscal support from additional taxes, impact fees, grants and donations.

#### **1. Eliminate “Unnecessary” Costs**

This equates to internally generating new revenues, a means familiar to every park and recreation administrator. By efficiently delivering good value for taxes paid, an administrator can show the governing body and the public that the park and recreation agency’s program is indeed doing the best it can with the resources it currently has. This is a defensible position essential to building a foundation for new revenues. It requires a budget process that gives the public confidence that spending is well managed by:

Knowing the true value of expenditures. An accounting system reveals how an organization uses its money. Program managers typically focus on how much time their employees work or how many resources are used, rather than seeing what value has been accomplished. Tracking resources based on consumption of resources alone can hinder an evaluation of the relationship between expenditures and outcomes. Instead, the expenditures can be evaluated against performance standards for quality and quantity of service, in addition to knowing how much it costs to provide services. Performance is then be tracked in light of those standards. In this way a service delivery organization may create better understanding of its needs for additional funds.

Developing Popular Support for Budget. The cost and performance levels of services should be published and widely known so that the people who pay for the services

can clearly see what they are buying. Park and recreation agencies should make this information freely available, especially by putting it online. This makes for much more informed budget discussions and long-term strategic planning. With this kind of process a park and recreation agency can experience success in its decision to expand funding for a popular and effective service.<sup>3</sup>

## **2. Obtain Reasonable and “Complete” Fees**

Local government revenue coffers can be helped by the fee payments from users. User fee cost recovery policies let agencies free up scarce general-purpose revenues that would otherwise be used to pay for the services. Being *allowed* to charge fees, though, is a different subject than being *able to rely* on fees. It is possible that revenues generated from user fees represent only a fraction of total service costs. This follows from the fact that many of the qualities of local parks are intangible aspects of a community—open space or natural settings for example. Recreation is not entirely about activities for which fees can be easily collected to recover costs; sometimes it is about passive activities like catching a noontime nap in the summer sun or listening to the rustle of leaves in the breeze. Generally, local parks provide communities with pleasant-to-look-at green places that provide open access to all. Unlike country clubs or commercial theme parks, local park and recreation agencies cannot put fences around their facilities and charge users for all services.

Other issues include a possible disincentive if a policy board may see fee collection as an opportunity to replace a park agency’s general fund. Also, user patterns may be restrained if the fees are set too high, thereby conflicting with service goals. Questions of equity must be addressed, such as:

- Should services be provided to one group of users instead of another?
- Should the bulk of program benefits be denied to those who cannot afford to pay?
- Should the jurisdiction’s resident tax payers “subsidize” recreation for out-of-area residents?

Local circumstances will certainly dictate the fee solution, but it can only strengthen the park and recreation provider’s hand at requesting additional funds when there is a clear sense that reasonable fee revenue, i.e. a “complete” set of fees, is already being collected.

## **3. Diversify Revenue Streams**

In their white paper for the 2002 League of California Cities Annual Conference, Mike Dennis and Bill Stadtler assert the importance of diversity of revenues (taxes, fees, etc.) as well as revenue bases (e.g., spreading the burden among a variety of revenue generators rather than assigning it to one or a few segments within the economy). Their concept of “fiscal balance” is in line with the longstanding axiom of ecology that diverse communities are stable communities and the old saying about not keeping one’s eggs in the same basket. A local government that apportions its revenue burden among a diverse mix of sources is less vulnerable to upheavals and can be insulated from complaints of unfairness. For example, a benefit assessment tax that spreads the payments to all (or most) land uses in the community is more diverse, and hence more stable, than one that only taxes a single use such as single-family residential property. The authors also suggest revenues should be tied to, and in proportion to, local economic production to better distribute the costs of providing at least a minimum level of service.<sup>4</sup>

#### **4. Maintain Prudent Reserves**

Some local governments in California have financial reserves (the non-obligated balance, or money “saved” at the end of the fiscal year) to help them provide critical services even through rough times. Reserves for contingencies, emergencies or other “rainy-days” are a critical element of effective fiscal stewardship. Some jurisdictions also accrue money in a reserve, or “savings account” for a large or extensive capital project. Local governments have already experienced volatility in their base of revenues because of fluctuations in the economy, the occurrence of natural and manmade disasters (floods, riots, 9/11, etc.), and because of the variations in the flow of funds from federal and state government funders and/or policy makers. Having a reserve means that the public must understand and buy into the idea or else it will appear that the local government is just hoarding cash. Determination of the prudent or “right” amount for the budget involves analysis of local needs, vulnerabilities and tolerance for risk. Once there is a commitment to establish a reserve, most jurisdictions gradually build those funds to a targeted level.<sup>5</sup>

The public has shown a willingness to fund certain programs or facilities (i.e., by paying “extra” taxes or costs) if the parameters of such funding are clearly presented, if there are assurances that the funding will be used as intended, and if there is a convincing argument that there are no other practical alternatives.<sup>6</sup> All of these factors can demonstrate that public money is in good hands, but good spending habits alone will not necessarily win approval for a revenue increase. A clear plan for use of the funds, built from the ground up with public support, is also important in the search for new revenue sources.

#### **Role Of Planning**

Planning supports a budget justification by building public support and demonstrating the rational basis for the expenditure proposal. Most local jurisdictions have some kind of plan for their future, as stipulated by California’s planning and land use laws and statutes.<sup>7</sup> One of the key imperatives is for cities and counties to maintain comprehensive, long-term general plans for their jurisdictions and any territory outside their boundaries that may bear upon their plans.<sup>8</sup> Every year the Governor’s Office of Planning and Research (OPR) publishes an updated reference on the state’s planning, zoning and development obligations.<sup>9</sup>

The scope of the local plan is defined to include a number of required elements.<sup>10</sup> The plan may also include other subjects at the option of the city or county.<sup>11</sup> OPR has issued guidelines for local planning that show how plans may address parks and recreation through the use of either the required or optional elements.<sup>12</sup> However, a minority of jurisdictions have chosen the option. According to the OPR Guidelines, as of 1996, only 33% of California’s cities and 40% of the counties had adopted park and recreation elements for their general plans.<sup>13</sup>

Special districts are not general-purpose units of government and there is no uniform set of planning requirements placed on special districts. Special districts are thus not specifically required to adopt general plans, though some kinds of districts have separate mandates for specific kinds of plans (e.g., Reclamation Districts that must submit levee plans.)<sup>14</sup> Yet even when a special district has no statutory requirement for planning, common sense tends to point all districts towards having a plan instead of making arbitrary decisions.

State law also empowers regional planning agencies to receive and disseminate plans from units of local government within their area.<sup>15</sup> This function is important with respect to distribution of certain entitlement funds (particularly federal funds) and regional consistency determinations. The regional agencies tend to be composed of affiliated cities, counties and, on occasion, special districts in a multi-county or single-county sub-region of the state. There are 23 such councils of governments in the state that cover California with the exception of 5 counties: Del Norte, Modoc, Trinity, Shasta, Lassen and Plumas.<sup>16</sup> Their authority stems from the Joint Exercise of Powers Act.<sup>17</sup> In addition, a regional agency may have an overall Regional Plan as part of its normal business or a topically-specific regional plan in response to programmatic requirements of a specific funding source. Local agencies would do well to get in touch with appropriate regional agencies concerning consistency with those plans and to discover any funding doors that may open in response to the regional planning processes.

### **Land Use —The Rewards of Hard Work**

In a speech in 1901 Mark Twain said, "Diligence is a good thing, but taking things easy is much more restful." California's local land use processes are very complex. Neither understanding them nor becoming proactively engaged are restful endeavors. Local park and recreation managers must work diligently to make recreation infrastructure an integral component of the local land use process. Fortunately there are tools to make the job a little easier. One of them is William Fulton's *Guide to California Planning*.<sup>18</sup> Another good starting point is the web site of the California Chapter of the American Planning Association.<sup>19</sup>

In summary, it is essential to have a plan for capital investments according to some kind of organized planning process and involve the public to some extent. When the process is based on citizen consensus, the result can be a successful request for additional fiscal resources.

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